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HOUSE BILL 678

By Sargent

AN ACT to amend Tennessee Code Annotated, Title 47, Chapter 18, Part 14, relative to the venue and cancellation of a consumer protection warranty extension.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 47, Chapter 18, Part 14, is amended by deleting Section 47-18-1404 in its entirety, and by substituting instead the following language:

47-18-1404. The provisions of § 47-18-1402 and § 47-18-1403 shall not apply to a written warranty or service contract for a new or used motor vehicle.

SECTION 2. Tennessee Code Annotated, Title 47, Chapter 18, Part 14, is amended by adding the following as new sections:

47-18-1405. Any written warranty or services contract issued, purchased or renewed in this state or transferred to a party in this state shall have a clause to the effect that the parties to the warranty or contract agree that for the venue for any cause of action or arbitration shall be the state of Tennessee. Nothing herein restricts the applicability of § 47-18-113.

47-18-1406. Any written warranty or services contract issued, purchased or renewed in this state or transferred to a party in this state shall have clauses to the effect that:

(1) The written warranty or services contract is not cancelable by the issuer, administrator, obligor or guarantor, except for fraud, material misrepresentation or failure to pay the premium by the purchaser. If the warranty or contract is cancelled for cause, the issuer, administrator, obligor or guarantor shall inform the purchaser in writing by certified mail at the last known address of the purchaser of the reasons for cancelling the warranty or contract. Within ten (10) days from the date that the notice of cancellation was sent, the payments made to date shall be refunded in the amount as if the purchaser had cancelled the warranty or contract. A cancellation fee of ten percent (10%) of the refund amount or twenty-five dollars (\$25), whichever is greater, may be deducted from the refund due. The cancellation fee may only be charged and deducted from the refund if it is clearly and conspicuously disclosed in the written warranty or services contract.

(2) The purchaser may cancel the written warranty or services contract in writing by certified mail within thirty (30) days after receipt of the warranty or contract, so long as no claims have been made against the warranty or contract. In the event that the warranty or contract is cancelled, the full amount of the payments made to date shall be refunded within ten (10) days from the date that the notice was sent.

(3) The purchaser may cancel the written warranty or services contract in writing by certified mail after thirty (30) days after receipt of the warranty or contract or after a claim has been paid under the warranty or contract. In the event the warranty or contract is cancelled, a pro rata amount of the unearned

payments shall be refunded within ten (10) days from the date that the notification was sent. The refund shall be based on the number of days or the greater of the days and mileage, as appropriate, remaining under the term of the warranty or contract from the date that the coverage begins. A cancellation fee of ten percent (10%) of the pro-rata refund amount or twenty-five dollars (\$25), whichever is less, may be deducted from the refund due. The cancellation fee may only be charged and deducted from the refund if it is clearly and conspicuously disclosed in the written warranty or services contract.

(4) Any refund made under a written warranty or services contract shall be paid to the purchaser or, if the cost of the warranty or contract is included in an installment sales contract, to the lienholder. If a refund is paid to the lienholder, the lienholder shall reduce the amount owed by the purchaser by the amount of the refund. No interest shall be charged on the amount of the refund after the date of receipt of the refund.

SECTION 3. If any provision of this act or application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 4. This act shall take effect upon becoming a law, and shall be applicable to all written warranties or services contracts issued, purchased or renewed in this state or transferred to a party in this state after the effective date of this act, the public welfare requiring it.